Financial statements

The Young Men's Christian Association of Greater Vancouver

December 31, 2016

Building a better working world

Independent auditors' report

To the Members of
The Young Men's Christian Association of Greater Vancouver

Report on the financial statements

We have audited the accompanying financial statements of **The Young Men's Christian Association of Greater Vancouver**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Young Men's Christian Association of Greater Vancouver** as at December 31, 2016, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the *Society Act* of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP
Chartered Professional Accountants

Vancouver, Canada
April 24, 2017

The Young Men's Christian Association of Greater Vancouver

Statement of financial position

As at December 31

	2016	2015
	$	$
Assets		
Current		
Cash	**2,448,507**	2,557,803
Accounts receivable *[notes 4, 8 and 15]*	**1,879,508**	1,676,420
Due from the YMCA of Greater Vancouver Foundation *[note 3]*	**15,299**	124,258
Prepaid expenses and other	**498,147**	480,739
Total current assets	**4,841,461**	4,839,220
YMCA facilities under development *[note 5]*	**1,145,794**	—
Investments and restricted cash *[note 6]*	**18,523,765**	18,181,444
Property and equipment, net *[notes 7 and 8]*	**8,662,102**	8,007,431
Total assets	**33,173,122**	31,028,095
Liabilities and net assets		
Current		
Current portion of term loans *[note 8]*	**685,325**	574,718
Accounts payable and accrued liabilities *[notes 4, 8 and 15]*	**3,356,721**	2,998,743
Deferred revenue *[note 9]*	**2,400,379**	1,932,699
Current portion of capital lease obligations *[note 10]*	**3,600**	3,600
Total current liabilities	**6,446,025**	5,509,760
Deferred capital contributions *[note 9]*	**6,085,988**	5,907,905
Term loans *[note 8]*	**590,386**	582,350
Capital lease obligations *[note 10]*	**32,400**	36,000
Total liabilities	**13,154,799**	12,036,015
Commitments and contingencies *[note 11]*		
Subsequent events *[note 18]*		
Net assets		
Unrestricted	**937,924**	1,490,076
Internally restricted *[note 12]*	**19,080,399**	17,502,004
Total net assets	**20,018,323**	18,992,080
Total liabilities and net assets	**33,173,122**	31,028,095

See accompanying notes

On behalf of the Board:

Director

Director

The Young Men's Christian Association of Greater Vancouver

Statement of operations

Year ended December 31

	2016	2015
	$	$
Revenue		
Program fees	**17,001,435**	15,569,106
Membership fees	**15,116,345**	15,470,601
Government sources – child care	**4,082,002**	4,017,576
Government sources – other	**3,378,565**	3,614,683
Grants from the YMCA of Greater Vancouver Properties Foundation *[note 4]*	**2,550,750**	972,135
Donations *[note 14]*	**1,067,312**	1,188,392
Investment income *[note 6]*	**666,628**	1,592,038
Allocations from the United Way	**558,442**	577,738
Grants from the YMCA of Greater Vancouver Foundation *[note 3]*	**487,236**	498,795
Gaming	**211,642**	220,000
Other revenue	**61,006**	28,278
	45,181,363	43,749,342
Expenses		
Salaries *[notes 3 and 16]*	**23,832,148**	22,225,034
Occupancy *[notes 3 and 4]*	**8,533,374**	6,460,828
Employee benefits	**3,153,876**	2,798,234
Supplies	**2,550,217**	2,401,986
Office, legal and contract services	**1,679,660**	1,630,578
Staff and volunteer training	**659,923**	609,170
Conferences, employee expense and vehicle costs	**658,492**	569,786
National support	**556,829**	506,261
Grants and work study fees	**549,738**	962,115
Advertising and promotion	**489,303**	402,872
Bank charges	**364,006**	598,130
Repairs and maintenance	**327,003**	535,238
Other	**58,387**	98,603
Recovery of commodity tax rebate	**(349,275)**	(358,253)
	43,063,681	39,440,582
Excess of revenue over expenses before the following	**2,117,682**	4,308,760
Deed of gift to the YMCA of Greater Vancouver Properties Foundation *[note 4]*	**—**	(31,836,171)
Gain on disposal of property and equipment	**47,067**	55,932
Loss on abandonment of leasehold improvements	**—**	(418,793)
Interest *[notes 8 and 10]*	**(28,994)**	(74,837)
Amortization of property and equipment *[note 7]*	**(1,325,340)**	(3,139,637)
Amortization of deferred capital contributions *[note 9]*	**215,828**	655,668
Excess (deficiency) of revenue over expenses for the year	**1,026,243**	(30,449,078)

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

Statement of changes in net assets

Year ended December 31

	2016			2015
	Unrestricted	Internally Restricted	Total	Total
	$	$	$	$
Net assets, beginning of year	**1,490,076**	**17,502,004**	**18,992,080**	49,441,158
Excess (deficiency) of revenue over expenses for the year	**2,195,398**	**(1,169,155)**	**1,026,243**	(30,449,078)
Transfer to Internally Restricted *[note 12]*	**(2,747,550)**	**2,747,550**	**—**	—
Net assets, end of year	**937,924**	**19,080,399**	**20,018,323**	18,992,080

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

Statement of cash flows

Year ended December 31

	2016	2015
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**1,026,243**	(30,449,078)
Add (deduct) non-cash items		
Amortization of deferred compensation	**30,504**	30,270
Amortization of deferred capital contributions	**(215,828)**	(655,668)
Amortization of property and equipment	**1,325,340**	3,139,637
Gain on disposal of property and equipment	**(47,067)**	(55,932)
Loss on abandonment of leasehold improvements	**—**	418,793
Deed of gift to the YMCA of Greater Vancouver Properties Foundation	**—**	31,836,171
Unrealized loss (gain) on investments	**132,606**	(448,458)
	2,251,798	3,815,735
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(203,087)**	282,813
Due from the YMCA of Greater Vancouver Foundation	**108,959**	(56,564)
Prepaid expenses and other	**(47,911)**	201,110
Accounts payable and accrued liabilities	**286,900**	289,155
Deferred revenue	**467,680**	164,694
Cash provided by operating activities	**2,864,339**	4,696,943
Investing activities		
Purchase of property and equipment	**(2,034,157)**	(3,128,052)
Proceeds on sale of property and equipment	**51,010**	55,932
Additions to YMCA facilities under development	**(1,024,515)**	—
Increase in investments and restricted cash	**(474,928)**	(1,908,726)
Cash used in investing activities	**(3,482,590)**	(4,980,846)
Financing activities		
Borrowings (repayments) on term loans, net	**118,643**	(56,270)
Receipt of contributions restricted for capital purposes	**393,912**	772,800
Payment of capital lease obligations	**(3,600)**	(3,600)
Cash provided by financing activities	**508,955**	712,930
Net increase (decrease) in cash during the year	**(109,296)**	429,027
Cash, beginning of year	**2,557,803**	2,128,776
Cash, end of year	**2,448,507**	2,557,803

See accompanying notes

The Young Men’s Christian Association of Greater Vancouver

Notes to financial statements

December 31, 2016

1. Purpose of organization

The Young Men’s Christian Association of Greater Vancouver [the “Association” or the “YMCA”] is an independent, charitable organization dedicated to the development of people in spirit, mind and body as well as the improvement of local, national and international communities. The Association is incorporated under the *Society Act* of British Columbia and is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes. The Association is currently in the process of transitioning to the new *Societies Act* of British Columbia and this is expected to be ratified at the 2016 Annual General Meeting

2. Summary of significant accounting policies

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants and donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are recognized as revenue if collection is reasonably assured, otherwise they are not recognized until the cash or asset is received. Contributions related to capital development projects and capital assets represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

Program fees and membership fees are recognized as revenue over the period to which the fees relate. Funds from government sources for services are recognized as revenue as the services to which the funds relate are delivered or performed. Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and then recognized as revenue when earned.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded in the statement of operations.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are recorded at amortized cost, net of any provisions for impairment.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Association charges amortization on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and infrastructure	25 to 32 years
Program and operating equipment	4 to 8 years
Computer and office equipment	5 years
Automobiles	5 years
Leasehold improvements	Term of the lease

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Leases

Leases are classified as either capital or operating leases. Those leases that transfer substantially all the benefits and risks of ownership of the property to the Association are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments discounted at appropriate interest rates. All other leases are accounted for as operating leases, wherein rental payments are charged to operations as incurred.

YMCA facilities under development

The YMCA facilities under development are recorded at cost and are not amortized. When project construction is complete, the YMCA facility under development project is transferred to the appropriate asset categories and amortized over its useful life. Interest costs and internal salaries and wages directly attributable to the development projects are capitalized as part of the facilities under development.

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Pension plan

Contributions to a multi-employer defined contribution pension plan are expensed on an accrual basis.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Management's estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates. To these financial statements, such estimates principally impact the recoverability of YMCA facilities under development which are, in part, dependent on the success of the various development initiatives *[note 5]* and are dependent on the Association's continued support of these development initiatives. Management's estimates also impact the period over which property and equipment and deferred capital contributions are amortized.

3. The YMCA of Greater Vancouver Foundation

The YMCA of Greater Vancouver Foundation ["Foundation"] is an independent organization incorporated under the *Society Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the development, growth and continuing relevancy of the Association. The by-laws of the Association provide that the Chair or designate of the Foundation also be a member of the Association's Board of Directors.

In 2010, the Trustees of the Foundation committed to provide the Association $600,000 over seven years for the purpose of building new lodges at Camp Elphinstone. This commitment was completed in 2015 and has been recorded as deferred capital contributions *[note 9[b]].*

In April 2016, the Trustees of the Foundation committed to provide the Association $3,000,000 over ten years for the purpose of creating four new centres of community in Surrey, Vancouver, Coquitlam and Chilliwack. As at December 31, 2016, $200,000 has been received in respect of this commitment and has been recorded as deferred capital contributions *[note 9[b]].*

The Foundation makes grants and donations to the Association in accordance with donor's restrictions at the direction of the Foundation Trustees. During 2016, the Foundation provided grants of $691,749 to the Association [2015 – $733,961], which included capital grants. The Foundation reimbursed the Association for salaries relating to administration support totaling $145,000 [2015 – $144,996], which has been recorded as a reduction of salaries expense. In January 2015, the Association entered into a ten-year lease for lands and buildings owned by the Foundation that contains two renewal options of five years each. In July 2015, the Association entered into a ten-year lease agreement for Camp Deka owned by the Foundation that contains two renewal options of ten years each. For the year ended December 31, 2016, the Association was charged rent of $301,630 [2015 – $253,386] by the Foundation for the buildings and the camp.

As at December 31, 2016, $15,299 [2015 – $124,258] was receivable from the Foundation in respect of administrative costs not paid. The transactions are recorded at the exchange amounts agreed and established between the Association and the Foundation.

4. The YMCA of Greater Vancouver Properties Foundation

The YMCA of Greater Vancouver Properties Foundation ["Properties Foundation"] is an independent organization incorporated under the *Society Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the funding, support and promotion of the Association. The by-laws of the Properties Foundation provide that the immediate past-Chair of the Association also be an ex-officio member of the Properties Foundation Board of Directors.

On September 1, 2015, the Association transferred, by deed of gift, all of the rights, title and interest in real estate assets ["properties"] to the Properties Foundation. The properties transferred included the Robert Lee YMCA, the Langara Family YMCA, the Tong Louie Family YMCA – Surrey, Camp Elphinstone and the New Westminster – Healthy Heart Buildings. The transfer included the land, buildings and infrastructure, program and operating equipment, deferred capital contributions and debt related to the properties with a net book value of $31,836,171 and a fair value, based on property assessed values, of $66,219,300. The effect of the deed of gift was an expense of $31,836,171.

In September 2015, the Association entered into the ten year lease agreements for the transferred properties that expire in August 2025 and contain two renewal options of ten years each. The Association also has a ten-year lease agreement for lands and buildings owned by the Properties Foundation for the Chilliwack Family YMCA Hocking facility that expires in August 2025 and contains two renewal options of ten years each. For the year ended December 31, 2016, the Association was charged rent of $3,097,339 [2015 – $1,178,506] by the Properties Foundation. During 2016, the Properties Foundation provided grants of $2,550,750 [2015 – $972,135] to the Association. As at December 31, 2016, $31,117 [2015 – nil] was receivable from the Properties Foundation and nil [2015 – $11,044] was payable to the Properties Foundation. The Association charged the Properties Foundation an administration fee of $25,672 [2015 – $10,126] for the year ended December 31, 2016. The transactions are recorded at the exchange amounts agreed and established between the Association and the Properties Foundation.

5. YMCA facilities under development

Costs capitalized with respect to ongoing capital projects to December 31, 2016 have been recorded in YMCA facilities under development and will be transferred to the appropriate property and equipment category in the year of completion.

Facilities under development include:

	2016	2015
	$	$
Chilliwack	**429,590**	—
Technology Project	**290,481**	—
Coquitlam	**176,327**	—
South Vancouver	**115,537**	—
New Surrey	**103,658**	—
Sechelt child care	**30,381**	—
	1,145,974	—

For the year ended December 31, 2016, facilities under development costs of nil [2015 – $765,744] were transferred to property and equipment.

6. Investments and restricted cash

Investments consist of the following:

	2016	2015
	$	$
Bank account balances for:		
Internally restricted	**258,113**	257,693
Externally restricted – Government *[note 9]*	**1,581,227**	1,569,038
Externally restricted – Other *[note 9]*	**382,826**	14,621
Total bank account balances	**2,222,166**	1,841,352
Investments for:		
Guaranteed investment certificate for debt agreement *[note 8]*	**1,500,000**	1,500,000
Internally restricted for strategic reserve	**14,801,599**	14,840,092
Total investments	**16,301,599**	16,340,092
Total investments and restricted cash	**18,523,765**	18,181,444

Bank account balances are held in high interest savings accounts and earn interest at 0.80% [2015 – 0.80%] per annum.

The unrealized investment loss of the portfolio was $132,606 [2015 – gain of $448,458] and income for the year was $769,112 [2015 – $1,128,149]. The annual rate of return for the year ended December 31, 2016 was 4.34% [2015 – 11.57%].

The investments in pooled funds for the strategic reserve comprise the following:

	2016	2015
	%	%
Money market	**5.5**	9.4
Fixed income	**33.7**	31.5
Equities and equity funds	**60.8**	59.1
	100.0	100.0

Notes to financial statements

December 31, 2016

7. Property and equipment

Location	Buildings, leasehold improvements, and infrastructure $	Program and operating equipment $	Computer and office equipment $	Automobiles $	Total $	Accumulated amortization $	Net book value $
December 31, 2016							
Robert Lee YMCA – Downtown	**104,832**	**1,815,027**	**455,678**	**—**	**2,375,537**	**1,803,334**	**572,203**
Langara Family YMCA	**96,648**	**1,425,055**	**328,322**	**—**	**1,850,025**	**1,336,966**	**513,059**
Tong Louie Family YMCA – Surrey *[note 8]*	**451,584**	**2,405,954**	**534,327**	**—**	**3,391,865**	**2,599,267**	**792,598**
Chilliwack Family YMCA	**142,436**	**1,205,158**	**317,760**	**—**	**1,665,354**	**1,425,912**	**239,442**
Camp Elphinstone	**2,040,434**	**872,738**	**267,563**	**246,812**	**3,427,547**	**1,134,732**	**2,292,815**
Camp Deka	**345,088**	**167,795**	**1,047**	**—**	**513,930**	**243,441**	**270,489**
Child Care Unit	**4,248,768**	**637,535**	**330,608**	**—**	**5,216,911**	**2,016,683**	**3,200,228**
Association Services	**408,721**	**9,631**	**2,018,572**	**—**	**2,436,924**	**1,725,912**	**711,012**
Community services	**—**	**53,906**	**58,276**	**39,855**	**152,037**	**81,781**	**70,256**
	7,838,511	**8,592,799**	**4,312,153**	**286,667**	**21,030,130**	**12,368,028**	**8,662,102**
December 31, 2015							
Robert Lee YMCA – Downtown	18,967	1,798,595	424,478	—	2,242,040	1,712,092	529,948
Langara Family YMCA	—	1,201,757	301,406	—	1,503,163	1,235,831	267,332
Tong Louie Family YMCA – Surrey *[note 8]*	79,222	2,189,209	522,554	—	2,790,985	2,491,396	299,589
Chilliwack Family YMCA	142,436	1,161,870	315,669	42,000	1,661,975	1,407,557	254,418
Camp Elphinstone	2,009,828	777,748	259,762	127,148	3,174,486	944,390	2,230,096
Camp Deka	345,088	154,295	1,047	14,825	515,255	235,512	279,743
Child Care Unit	4,248,768	578,100	302,647	19,500	5,149,015	1,819,545	3,329,470
Association Services	408,721	9,631	1,879,836	—	2,298,188	1,546,960	751,228
Community services	—	34,557	42,679	39,855	117,091	51,484	65,607
	7,253,030	7,905,762	4,050,078	243,328	19,452,198	11,444,767	8,007,431

As at December 31, 2016, property and equipment include a child care centre under capital lease having a net book value of $36,000 [2015 – $39,600].

8. Bank demand loan and term loans

[a] Bank demand loan

The Association has a demand operating loan facility of $2,500,000 [2015 – $2,500,000] available to finance general operating activities and facility development activities, bearing interest at the bank's prime rate plus 0.45% [2015 – 0.45%] per annum on outstanding amounts payable on demand. Interest in the amount of $65 [2015 – nil] is recorded as interest expense for the year ended December 31, 2016, on the demand operating loan facility.

[b] Term loans

	2016	2015
	$	$
Term loans for equipment [i]	**1,275,711**	1,157,068
Less long-term portion	**590,386**	582,350
	685,325	574,718

[i] The Association has a combined term loan and lease facility of $1,500,000 available to finance capital expenditures. Borrowings under this facility may be converted into a demand operating loan. This facility is subject to review by the bank annually. As at December 31, 2016, there was a combined amount of $1,275,711 [2015 – $1,157,068] in term facility loans. These are three year term loans that bear interest between 2.69% and 2.93% [2015 – 2.69% and 2.93%] per annum. Interest on the term loans in the amount of $28,929 [2015 – $24,657] is recorded as interest expense. Monthly principal repayments under the loan facilities are $61,515 [2015 – $53,934].

The bank's prime rate as at December 31, 2016 was 2.70% [2015 – 2.70%].

The total estimated principal repayments of long-term debt due are as follows:

	$
2017	685,325
2018	426,938
2019	163,448
	1,275,711

The loans are collateralized by:

[a] A security agreement granted in favour of the bank over the program and office equipment of the Association with a carrying value of $1,656,965 as at December 31, 2016.

[b] A security agreement granted in favour of the bank being the first ranking interest in all accounts receivable.

[c] A security agreement assigning term deposit and/or guaranteed investment certificates in the amount of $1,500,000 to the bank *[note 6].*

9. Deferred revenue and deferred capital contributions

[a] Deferred revenue

	2016	2015
	$	$
Community programs	**744,372**	614,333
Membership	**470,027**	434,641
Regional development centre	**182,302**	269,833
Child care	**968,800**	611,800
Other	**34,878**	2,092
	2,400,379	1,932,699

[b] Deferred capital contributions

	2016	2015
	$	$
Balance, beginning of year	**5,907,905**	19,881,424
Amounts received during the year *[note 3]*	**393,911**	1,192,799
Amortization of deferred capital contributions	**(215,828)**	(655,668)
Amounts related to assets disposed of during the year by the deed of gift *[note 4]*	**—**	(14,510,650)
Balance, end of year	**6,085,988**	5,907,905

Deferred capital contributions represent capital contributions for the following:

	2016	2015
	$	$
Other deferred capital grants and contributions	**4,121,935**	4,324,226
Externally restricted – Government *[note 6]*	**1,581,227**	1,569,058
Externally restricted – What Really Matters Campaign *[note 6]*	**382,826**	14,621
	6,085,988	5,907,905

The externally restricted – Government funds of $1,581,227 [2015 – $1,569,058] are restricted for the Association's expansion in the Central Fraser Valley. The externally restricted – What Really Matters Campaign funds of $382,826 are held for the Association's construction of four new YMCA locations in South Vancouver, Surrey, Coquitlam, and Chilliwack.

December 31, 2016

10. Capital lease obligations

The present value of future minimum annual lease payments for a child care centre under capital lease at December 31, 2016 is as follows:

	$
2017	3,600
2018	3,600
2019	3,600
2020	3,600
2021	3,600
Thereafter	18,000
	36,000
Less amount representing interest	—
Less current portion of capital lease obligations	(3,600)
	32,400

The interest on capital lease obligations was recorded as interest expense in the amount of nil [2015 – nil].

11. Commitments and contingencies

[a] The Association is committed to payments through 2025 under equipment and occupancy operating leases as follows:

	Equipment commitments $	Occupancy commitments $ *[notes 3 and 4]*	Total commitments $
2017	381,600	3,780,068	4,161,668
2018	—	3,602,860	3,602,860
2019	—	3,582,121	3,582,121
2020	—	3,573,977	3,573,977
2021	—	3,591,527	3,591,527
Thereafter	—	12,984,160	12,984,160
	381,600	31,114,713	31,496,313

In addition to minimum rentals, leases for offices generally require the payment of various operating costs.

[b] The Association is a member of the YMCA World Urban Network and holds $197,143 [2015 – $282,163] US funds on their behalf. These funds have not been recorded in the financial statements.

12. Internally restricted net assets

The Board of Directors appropriated Internally Restricted funds to be used as follows as at December 31, 2016:

	Internally Restricted for				
	Property and equipment $	**Child care capital and transition requirements** $	**Organization transition costs** $	**Vehicle replacement costs** $	**Total** $
Closing balance as at December 31, 2014	48,994,474	74,531	24,623	211,304	49,304,932
Transfer from (to) Unrestricted	1,959,120	(75,124)	378	44,078	1,928,452
Allocation of income	(33,709,284)	593	(25,001)	2,312	(33,731,380)
Closing balance as at December 31, 2015	17,244,310	—	—	257,694	17,502,004
Transfer from (to) Unrestricted	2,784,047	—	—	(36,497)	2,747,550
Allocation of income	(1,171,157)	—	—	2,002	(1,169,155)
Closing balance as at December 31, 2016	**18,857,200**	**—**	**—**	**223,199**	**19,080,399**

13. Financial instruments and risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The YMCA's main credit risk relates to its accounts receivable. The Association derives revenue from services delivered in Canada. Services are normally paid in advance or on a scheduled payment basis in Canadian funds and generally require no collateral. The Association's credit risk does not include counterparty exposure associated with the fixed interest rate swap contract in the event that there is non-performance as the counterparty to the contract and the underlying are one and the same.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association has entered into term loan facilities bearing interest at fixed rates *[note 8]*. Interest rate risk also exists with respect to fixed income investments that are managed by professional investment advisors.

Financial risk

Financial risk is the risk to the Association's results of operations that arises from fluctuations in equity valuations and market prices and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Association has established a target mix of investment types designed to achieve an optimal return within reasonable risk tolerances.

Liquidity risk

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis. The YMCA has no difficulty meeting obligations associated with its financial liabilities and, accordingly, is not exposed to liquidity risk.

14. Funds held by the Vancouver Foundation

The Vancouver Foundation holds the funds listed below to which the Association is entitled to receive a portion of distributable investment income.

	Share distributable income %	2016 income $	2015 income $
William E. and Emily Ross Fund	40	**2,048**	1,482
Senator and Mrs. S. S. McKeen Memorial Fund	100	**2,240**	1,621
Clarence L. Sorensen Fund	100	**1,084**	785
		5,372	3,888

15. Government receivables and remittances

Government receivables of $899,156 [2015 – $712,343] are included in accounts receivable. Government payables of $208,629 [2015 – $198,630] are included in accounts payable and accrued liabilities.

16. British Columbia Societies Act Disclosures

In accordance with the new *Societies Act* of British Columbia and its accompanying regulations, which were effective November 28, 2016, the following disclosures are required:

[a] Remuneration paid to directors

The directors of the Association receive no compensation as a result of their board position. From time to time, the Association carries out business transactions with suppliers of goods and services whose officers are also directors of the Association. During the year, these transactions amounted to $3,232 [2015 – $31,069]. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. These transactions are subject to a regular review process.

[b] Remuneration paid to employees and contractors

The ten employees or contractors of the Association with the highest remuneration greater than $75,000 include the President, eight Vice Presidents of the Association, and one General Manager. The total remuneration paid to these employees in the year was $1,583,009 [2015 – $1,538,374].

17. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation in the current year.

18. Subsequent event

On January 1, 2017, The Young Men's Christian Association of Greater Vancouver transferred by way of a deed of gift all assets and liabilities to The YMCA of Great Vancouver, a newly formed society. The Young Men's Christian Association of Great Vancouver and the YMCA of Greater Vancouver are controlled by the same board of trustees therefore no changes to the book value of assets and liabilities occurred as a result of the deed of gift. The YMCA of Great Vancouver will continue the work of the Association.